Office of the Superintendent of Financial Institutions Canada
Bureau du surintendant des institutions financières Canada

Office of the Superintendent of Financial Institutions

2013-14

Departmental Performance Report

The Honourable Joe Oliver
Minister of Finance

OSFI
BSIF

Canada

© Her Majesty the Queen in Right of Canada, as represented by the Minister of Finance, 2014

Catalogue No. IN3-17/2014E-PDF
ISSN 2368-3023

Table of Contents

Foreword iii

Superintendent's Message 1

Section I: Organizational Expenditure Overview 2

- Organizational Profile 2
- Organizational Context 3
- Actual Expenditures 11
- Alignment of Spending With the Whole-of-Government Framework 14
- Departmental Spending Trend 15
- Estimates by Vote 15

Section II: Analysis of Programs by Strategic Outcome 16

- Strategic Outcome 1: A safe and sound Canadian financial system 16
- Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions 16
- Sub-Program 1.1.1: Risk Assessment and Intervention 18
- Sub-Program 1.1.2: Regulation and Guidance 20
- Sub-Program 1.1.3: Approvals and Precedents 22
- Program 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans 24
- Strategic Outcome 2: A financially sound and sustainable Canadian public retirement income system 26
- Program 2.1: Actuarial Valuation and Advisory Services 26
- Sub-Program 2.1.1: Services to the Canada Pension Plan and Old Age Security Program 28
- Sub-Program 2.1.2: Services to Public Sector Pension and Insurance Programs 30
- Sub-Program 2.1.3: Services to the Canada Student Loans Program 32
- Internal Services 34

Section III: Supplementary Information 36

- Financial Statements Highlights 36
- Financial Statements 39
- Supplementary Information Tables 40
- Tax Expenditures and Evaluations 41

Section IV: Organizational Contact Information 42

Appendix: Definitions 43

Endnotes 45

Foreword

Departmental Performance Reports are part of the Estimates family of documents. Estimates documents support appropriation acts, which specify the amounts and broad purposes for which funds can be spent by the government. The Estimates document family has three parts.

Part I (Government Expenditure Plan) provides an overview of federal spending.

Part II (Main Estimates) lists the financial resources required by individual departments, agencies and Crown corporations for the upcoming fiscal year.

Part III (Departmental Expenditure Plans) consists of two documents. Reports on Plans and Priorities (RPPs) are expenditure plans for each appropriated department and agency (excluding Crown corporations). They describe departmental priorities, strategic outcomes, programs, expected results and associated resource requirements, covering a three-year period beginning with the year indicated in the title of the report. Departmental Performance Reports (DPRs) are individual department and agency accounts of actual performance, for the most recently completed fiscal year, against the plans, priorities and expected results set out in their respective RPPs. DPRs inform parliamentarians and Canadians of the results achieved by government organizations for Canadians.

Additionally, Supplementary Estimates documents present information on spending requirements that were either not sufficiently developed in time for inclusion in the Main Estimates or were subsequently refined to account for developments in particular programs and services.

The financial information in DPRs is drawn directly from authorities presented in the Main Estimates and the planned spending information in RPPs. The financial information in DPRs is also consistent with information in the Public Accounts of Canada. The Public Accounts of Canada include the Government of Canada Consolidated Statement of Financial Position, the Consolidated Statement of Operations and Accumulated Deficit, the Consolidated Statement of Change in Net Debt, and the Consolidated Statement of Cash Flow, as well as details of financial operations segregated by ministerial portfolio for a given fiscal year. For the DPR, two types of financial information are drawn from the Public Accounts of Canada: authorities available for use by an appropriated organization for the fiscal year, and authorities used for that same fiscal year. The latter corresponds to actual spending as presented in the DPR.

The Treasury Board *Policy on Management, Resources and Results Structures* further strengthens the alignment of the performance information presented in DPRs, other Estimates documents and the Public Accounts of Canada. The policy establishes the Program Alignment Architecture of appropriated organizations as the structure against which financial and non-financial performance information is provided for Estimates and parliamentary reporting. The same reporting structure applies irrespective of whether the organization is reporting in the Main Estimates, the RPP, the DPR or the Public Accounts of Canada.

A number of changes have been made to DPRs for 2013–14 to better support decisions on appropriations. Where applicable, DPRs now provide financial, human resources and

performance information in Section II at the lowest level of the organization's Program Alignment Architecture.

In addition, the DPR's format and terminology have been revised to provide greater clarity, consistency and a strengthened emphasis on Estimates and Public Accounts information. As well, departmental reporting on the Federal Sustainable Development Strategy has been consolidated into a new supplementary information table posted on departmental websites. This new table brings together all of the components of the Departmental Sustainable Development Strategy formerly presented in DPRs and on departmental websites, including reporting on the Greening of Government Operations and Strategic Environmental Assessments. Section III of the report provides a link to the new table on the organization's website. Finally, definitions of terminology are now provided in an appendix.

Superintendent's Message

The current global economic environment remains far from normal. Interest rates are still at historically low levels and growth in several advanced economies is still not at pre-crisis levels. While the Canadian financial system continues to benefit from approaches taken in Canada, OSFI and domestic banks and insurance companies need to avoid complacency.

In 2013-14, OSFI introduced or finalized several guidelines intended to promote and maintain confidence in Canada's financial system. These included: Liquidity Adequacy Requirements that reflect internationally agreed minimum standards for the measurement of short-term liquidity under a stress scenario; Own Risk and Solvency Assessment and Regulatory Capital and Internal Capital Targets to strengthen the insurance industry's enterprise-wide risk management process; and, a Guideline on Mortgage Insurance Underwriting as a follow-up to the Guideline on Residential Mortgage Underwriting Practices and Procedures issued in 2012.

In 2013, Canada was subject to an International Monetary Fund (IMF) Financial Sector Assessment Program (FSAP) review. The FSAP report identified OSFI's close touch supervision, our clear and straightforward mandate, and our ability to attract and retain financial sector specialists as some of the factors that helped Canada withstand the crisis well.

The FSAP team noted that stress tests OSFI conducted in 2013 show that major financial institutions would continue to be resilient to credit, liquidity, and contagion risks arising from a severe stress scenario.

OSFI also looked inward, to strengthen our high-performing and effective workforce by providing more focus on teams responsible for managing domestic systemically important banks, while at the same time designating an employee to focus on the requirements of the smaller banks under OSFI's purview.

Strong cooperation and communication with our federal partners, such as the Bank of Canada, the Department of Finance, Canada Deposit Insurance Corporation and the Financial Consumer Agency of Canada, was also a contributing factor in allowing OSFI to meet its goals in 2013-14.

This was my final year as Superintendent of Financial Institutions. During my tenure the world has gone through one of its most difficult financial crises, the effects of which are still being felt today. I am proud of the way OSFI and our federal partners pulled together to work our way through the numerous challenges that were presented.

The contribution to public confidence in the Canadian financial system that OSFI has been able to make comes down – as always – to the individual contributions of our employees. It has been an honour and pleasure to work with them these past seven years. I know that my successor, and all Canadians, will be able to count on the ongoing dedication and professionalism of OSFI's people.

Section I: Organizational Expenditure Overview

Organizational Profile

Appropriate Minister: Joe Oliver

Institutional Head: Jeremy Rudin (effective June 29, 2014)

Ministerial Portfolio: Finance

Enabling Instrument(s): *Office of the Superintendent of Financial Institutions Act* (OSFI Act)[i]

Year of Incorporation / Commencement: 1987

Organizational Context

Raison d'être

OSFI was established in 1987 by an Act of Parliament: the *Office of the Superintendent of Financial Institutions Act (OSFI Act)*. It is an independent agency of the Government of Canada and reports to Parliament through the Minister of Finance.

OSFI supervises and regulates all banks in Canada and all federally incorporated or registered trust and loan companies, insurance companies, cooperative credit associations, fraternal benefit societies and private pension plans.

The Office of the Chief Actuary, which is an independent unit within OSFI, provides actuarial valuation and advisory services for the Canada Pension Plan, the Old Age Security program, the Canada Student Loans Program and other public sector pension and benefit plans.

Responsibilities

OSFI's legislated mandate is to:

- Supervise federally regulated financial institutions and pension plans to determine whether they are in sound financial condition and meeting minimum plan funding requirements respectively, and are complying with their governing law and supervisory requirements;
- Promptly advise institutions and plans in the event there are material deficiencies and take or require management, boards or plan administrators to take necessary corrective measures expeditiously;
- Advance and administer a regulatory framework that promotes the adoption of policies and procedures designed to control and manage risk;
- Monitor and evaluate system-wide or sectoral issues that may impact institutions negatively.

OSFI's legislation acknowledges the need to allow institutions to compete effectively and take reasonable risks. It also recognizes that management, boards of directors and plan administrators are ultimately responsible and that financial institutions and pension plans can fail.

Strategic Outcomes and Program Alignment Architecture (PAA)

1. **Strategic Outcome One:** A safe and sound Canadian financial system
    - 1.1 **Program:** Regulation and Supervision of Federally Regulated Financial Institutions
        - 1.1.1 **Sub-Program:** Risk Assessment and Intervention
        - 1.1.2 **Sub-Program:** Regulation and Guidance
        - 1.1.3 **Sub-Program:** Approvals and Precedents
    - 1.2 **Program:** Regulation and Supervision of Federally Regulated Private Pension Plans

2. **Strategic Outcome Two:** A financially sound and sustainable Canadian public retirement income system
    - 2.1 **Program:** Actuarial Valuation and Advisory Services
        - 2.1.1 **Sub-Program:** Services to the Canada Pension Plan and Old Age Security Program
        - 2.1.2 **Sub-Program:** Services to Public Sector Pension and Insurance Programs
        - 2.1.3 **Sub-Program:** Services to the Canada Student Loans Program

Internal Services

Organizational Priorities

The following tables present a summary of achievements against OSFI's priorities in 2013-14.

Organizational Priorities

Priority	Type	Strategic Outcome(s) and/or program(s)
Priority A - Responding to Risks Emanating from the Economy	Ongoing	Strategic Outcome 1: A safe and sound Canadian financial system

Summary of Progress

In 2013-14, the following steps were undertaken and successfully supported Priority A. They contributed to fostering a safe and sound Canadian financial system through the provision of guidance, strong oversight in targeted areas and by drawing from and contributing to international financial sector forums.

Steps Taken

- Responded to concerns about low interest rates and high household indebtedness via enhanced monitoring, reviews of retail lending and stress testing.
- Conducted significant cross-sector reviews in the areas of:
  - Cyber security and information technology operational risk
  - Retail credit cards
  - Corporate governance (retail risk)
  - Catastrophic risk
  - Reinsurance risk
- Issued new/revised guidelines, advisories or letters on:
  - Residential Mortgage Insurance Underwriting (draft)
  - Liquidity Adequacy Requirements (draft)
  - Own Risk and Solvency Assessment, and Regulatory Capital and Internal Capital Targets
  - Minimum Continuing Capital and Surplus Requirements (MCCSR) update
  - Minimum Capital Test (MCT) update
- Issued Cyber Security Self-Assessment Guidance to help federally regulated financial institutions (FRFIs) assess their own ability to respond to the rising operational risk.
- Participated in the IMF's FSAP update for Canada, which included macro stress tests that considered the impact of high consumer debt and other adverse shocks.
- Continued to conduct:
  - Risk management seminars
  - Supervisory colleges
  - Crisis management and industry information sessions
- Participated actively on various international committees, including:
  - Financial Stability Board (FSB)
  - Basel Committee on Banking Supervision (BCBS)
  - Senior Supervisors Group
  - International Association of Insurance Supervisors (IAIS)

Priority	Type	Strategic Outcome(s) and/or program(s)
Priority B - Responding to Risks Emanating from Regulatory Reform	Ongoing	Strategic Outcome 1: A safe and sound Canadian financial system

Summary of Progress

In 2013-14, the following steps were undertaken and successfully supported Priority B. They contributed to fostering a safe and sound Canadian financial system through research and analysis and the provision of guidance. Also, efforts allowed OSFI to anticipate, understand, and when practicable, influence changes to international standards and practices.

Steps Taken

- Released an update to the Life Insurance Regulatory Framework outlining OSFI initiatives through 2018.
- Worked with IAIS to develop a global framework to guide the supervision of internationally active insurance groups (ComFrame) as well as a basic capital requirement for global systemically important insurers (G-SIIs).
- Worked with banks and insurance companies to gather data and assess the impact of new capital requirements, and with banks on new liquidity requirements.
- Took part in the Regulatory Consistency Assessment Programme (RCAP) of BCBS, which reviews national implementation of Basel minimum prudential standards, by completing a Canada RCAP assessment, leading the EU RCAP and participating in Australia, Switzerland and Singapore RCAPs.
- Monitored International Accounting Standards Board and Financial Accounting Standards Board decisions as they impact the Canadian bank and insurance capital frameworks.
- Provided comments on, or participated in, domestic audit quality initiatives of the Chartered Professional Accountants of Canada and the Canadian Public Accountability Board.

Priority	Type	Strategic Outcome(s) and/or program(s)
Priority C - A High-Performing and Effective Workforce	Ongoing	Strategic Outcome 1: A safe and sound Canadian financial system Strategic Outcome 2: A financially sound and sustainable Canadian public retirement income system

Summary of Progress

In 2013-14, the following steps were undertaken and successfully supported Priority C. They contributed to fostering a safe and sound Canadian financial system as well as a financially sound and sustainable Canadian public retirement income system by helping to ensure that OSFI has the capacity and expertise it needs to deliver on business objectives.

Steps Taken

- Finalized the implementation of a new Human Resources service delivery model with appropriate policies, processes and controls.
- Implemented organizational changes in the Supervision Sector to bring increased experience, knowledge and skills to the supervisory teams responsible for domestic systemically important banks.
- Continued enhancements to the corporate planning processes to further integrate Human Resources (HR) planning and enterprise risk management processes.
- Continued to ensure individual and group learning plans were driven by business need.

Priority	Type	Strategic Outcome(s) and/or program(s)
Priority D - An Enhanced Corporate Infrastructure	Ongoing	Strategic Outcome 1: A safe and sound Canadian financial system Strategic Outcome 2: A financially sound and sustainable Canadian public retirement income system

Summary of Progress

In 2013-14, the following steps were undertaken and successfully supported Priority D. They contributed to fostering a safe and sound Canadian financial system as well as a financially sound and sustainable Canadian public retirement income system by helping to ensure that OSFI has the information, tools and systems it needs to deliver on business objectives.

Steps Taken

- Met all project milestones as part of OSFI's Information Technology renewal program, including
  - Upgraded OSFI's external website and Human Resources Management system.
  - Launched Phase 1 of a new system for returns processing (Regulatory Returns System) in partnership with the Bank of Canada and the Canada Deposit Insurance Corporation and an upgraded Business Intelligence solution for deposit-taking institutions.
  - Implemented an integrated enterprise resource planning software solution for finance-related processes.
  - Developed correspondence and inquiry management and document/records management/collaboration systems.
- Implemented the Regulatory Data Governance Framework to ensure that OSFI effectively captures and shares FRFI information enterprise-wide.

Risk Analysis

OSFI operates in a constantly changing environment reflected by uncertain economic and financial conditions and an industry that can undergo periods of rapid change and that is becoming increasingly complex. OSFI's ability to achieve its mandate and objectives is impacted by the range of risks that exist in such circumstances.

While this section focuses on externally driven risks, OSFI has also dedicated significant efforts to managing internal risks related to its human resources and systems. This is noteworthy given the important role that OSFI staff and supporting systems play in responding to changes in the business environment.

OSFI priorities are informed by risks identified through the enterprise-wide risk management process. As a result, there is a strong alignment between the risk response strategies noted in the following table and the steps taken under Priorities A and B as described under the previous section on Organizational Priorities.

In 2013-14, OSFI paid particular attention to 3 risk areas that are detailed below.

Key Risks

Risk	Risk Response Strategy	Link to Program Alignment Architecture
Economic, Industry and Regulatory Environment: risk pertaining to the ability of federally regulated financial institutions and pension plans to cope with slow economic growth, associated exceptionally low interest rates, and rising household indebtedness. It also links to strategies and business models adopted by federally regulated financial institutions and pension plans to yield benefits in such an environment. Also, it relates to OSFI's ability to foster resilience by positively influencing regulatory changes in the financial sector and through the design and application of its supervisory framework.	The risk was identified in the 2013-14 RPP. 2013-14 risk responses included: • Heightened monitoring of the economic environment. • Undertaking a number of cross-sector reviews in a variety of key areas. • Continuing to develop supporting guidance for the Supervisory Framework and initiating a review of supervisory processes and tools. • Issuing guidance to help FRFIs self-assess their capability to respond to rising operational risk (e.g. cyber security risk). • Participating in the development of international rules that contribute to a strong and stable global financial system. • Participating in the IMF's FSAP review of Canada. • Participating in international forums and facilitating domestic events to develop, discuss and implement best practices. The risk response strategy continued to be effective in identifying areas where financial institutions and pension plans were exposed to risk, and allowed for early intervention actions. Also refer to performance information presented under Programs 1.1 and 1.2.	Strategic Outcome 1: *A safe and sound Canadian financial system.* Program 1.1: *Regulation and Supervision of Federally Regulated Financial Institutions* Program 1.2: *Regulation and Supervision of Federally Regulated Private Pension Plans*

Capital Adequacy, Leverage and Liquidity: risk stemming from the redesign of the Basel capital framework for banks and from the need to update prudential regulatory frameworks to address continued disruptions in global financial markets. The risk encompasses the downstream effects – intended and unintended – of the changes made.	This risk was identified in the 2013-14 RPP. 2013-14 risk responses included: • Issuing a number of new/revised guidelines, advisories or letters on capital/liquidity requirements. • Communicating an update to the OSFI initiatives through 2018 for life insurers. • Collaborating with the IAIS in the area of global capital requirements and the supervision of internationally active insurers. • Working with FRFIs to assess the impact of new capital and liquidity requirements. • Taking part in an assessment of various countries' national implementation of Basel minimum prudential standards. The risk response strategy continued to contribute to the effective mitigation of the risk given that it supported strengthening the frameworks for capital, leverage and liquidity consistent with international developments that, in turn, promotes a more resilient global financial sector. Also refer to performance information presented under the Program 1.1.	Strategic Outcome 1: *A safe and sound Canadian financial system.* Program 1.1: *Regulation and Supervision of Federally Regulated Financial Institutions*
Changes to International Financial Reporting Standards (IFRS) and Auditing Standards: changes in standards will affect accounting, loan values and provisions, actuarial standards, and the regulatory capital regime. The risk relates to OSFI's ability to perform accurate risk assessments of financial institutions and to adjust the regulatory capital framework under the new standards.	This risk was identified in the 2013-14 RPP. 2013-14 risk responses included: • Considering changes to international accounting and auditing rules, assessing the impact on Canadian capital requirements, and providing comments where appropriate. The risk response strategy continued to effectively ensure that OSFI's prudential views were communicated and understood. It also ensured that financial institutions were aware of OSFI expectations regarding their adoption of amended accounting standards. In addition, OSFI conveyed its views on supervisory expectations concerning audit quality through its involvement in the BCBS guidance regarding the external audit of a bank. Also refer to performance information presented under the Program 1.1.	Strategic Outcome 1: *A safe and sound Canadian financial system.* Program 1.1: *Regulation and Supervision of Federally Regulated Financial Institutions*

During 2013-14, the global economic environment remained uncertain. Potential vulnerabilities included the continuation of historically low interest rates and the lack of growth in several advanced economies.

Despite external weaknesses the Canadian economy continued to expand, albeit modestly, and was conducive to good financial performance for financial institutions. Household indebtedness, interest rate levels, and ongoing global financial uncertainty however continued to be seen as

sources of potential systemic vulnerability and OSFI continues to be concerned about the susceptibility of financial institutions under such systemic conditions.

Federally regulated private pension plans benefited from strong equity market returns and higher discount rates used to value plan liabilities. These positive factors, combined with special payments made by employers during the year, contributed to a significant improvement in the solvency positions of defined benefit plans in 2013.

Throughout the year, OSFI worked with various federal government organizations to review developments in the financial system as well as to discuss and coordinate approaches to overseeing the financial sector. OSFI also engaged with international partners in an ongoing effort to strengthen its regulation and supervision frameworks. These collaborative efforts continue to support the sound management of risks within OSFI's environment which, in turn, contribute to a financial system that inspires confidence.

Actual Expenditures

Budgetary Financial Resources (dollars)

2013–14 Main Estimates	2013–14 Planned Spending	2013–14 Total Authorities Available for Use[1]	2013–14 Actual Spending (authorities used)[2]	Difference (actual minus planned)
140,269,452	140,269,452	140,308,051	150,802,133	10,532,681

Human Resources (Full-Time Equivalents [FTEs])

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
641	666	25

[1] Represents actual in-year authorities available for use, and does not include an administrative carry-forward that appears on OSFI's public accounts. The 2013-14 Total Authorities Available for Use is $38,599 higher than planned due to an increase in OSFI's voted appropriation related to compensation adjustments as per the collective agreements.
[2] The majority of OSFI's expenditures are recovered via respendable revenue. In order to provide an accurate representation of OSFI's spending, amounts shown reflect gross expenditures.

Budgetary Performance Summary for Strategic Outcome(s) and Program(s) (dollars)

Strategic Outcome(s), Program(s) and Internal Services	2013–14 Main Estimates	2013–14 Planned Spending	2014–15 Planned Spending	2015–16 Planned Spending	2013–14 Total Authorities Available for Use	2013–14 Actual Spending (authorities used)	2012–13 Actual Spending (authorities used)	2011–12 Actual Spending (authorities used)
Strategic Outcome 1: A safe and sound Canadian financial system.								
Regulation and Supervision of Federally Regulated Financial Institutions	73,994,821	73,994,821	77,788,097	79,909,307	73,994,821	75,599,505	67,148,283	62,789,318
Regulation and Supervision of Federally Regulated Private Pension Plans	4,552,176	4,552,176	4,420,260	4,601,001	4,552,176	4,342,314	4,719,130	5,529,297
Subtotal	78,546,997	78,546,997	82,208,357	84,510,308	78,546,997	79,941,819	71,867,413	68,318,615
Strategic Outcome 2: A financially sound and sustainable Canadian public retirement income system.								
Actuarial Valuation and Advisory Services	5,203,501	5,203,501	5,231,775	5,423,820	5,239,190	5,209,861	4,475,526	4,179,762
Subtotal	5,203,501	5,203,501	5,231,775	5,423,820	5,239,190	5,209,861	4,475,526	4,179,762
Internal Services Subtotal	56,518,954	56,518,954	55,323,397	73,368,020	56,521,864	65,650,453	52,296,952	52,324,681
Total	140,269,452	140,269,452	142,763,529	163,302,148	140,308,051	150,802,133	128,639,891	124,823,058

Actual spending across all programs increased by 20.8% between 2011-12 and 2013-14. During this period, resources were added to the Regulation and Supervision of Federally Regulated Financial Institutions program to address OSFI's expanded mandate to include the oversight of Canada Mortgage and Housing Corporation's (CMHC) commercial activities, increased work related to credit risk, and a revised approach to assessing operational risk. Increased spending within this program in 2014-15 and beyond is attributed to the full year impact of new resources added in 2013-14 and to normal merit and inflationary increases.

Spending in Internal Services increased by 25.5% in 2013-14, followed by a planned decrease of 15.7% in 2014-15. The increase in 2013-14 was driven by the curtailment of severance for unionized employees, the settlement of a pay equity claim dating from 1987 to 1997 that was previously provisioned for but paid out in 2013-14, costs associated with the implementation of OSFI's Information Technology Renewal (ITR) initiative, and an increase in FTEs to support regulatory and supervisory initiatives. The reduced level of spending in 2014-15 reflects the completion of the implementation of OSFI's five-year IM/IT Strategy and the return to normal levels of investments in IM/IT to upgrade systems and renew core infrastructure and applications. Increased planned spending in 2015-16 reflects costs associated with a planned move of OSFI's Toronto office when its lease expires in February 2016.

Spending within the Regulation and Supervision of Federally Regulated Private Pension Plans program has been decreasing since 2011-12 and returned to normal levels in 2013-14 with the completion of the development of a new system to enhance pension plan supervision.

Growth in the Actuarial Valuation and Advisory Services program is attributed to annual merit and inflationary increases as per the collective agreements, with an additional increase in 2013-14 for the triennial review of the Canada Pension Plan (CPP) program.

Total OSFI spending in 2013-14 was 7.5% greater than planned, largely due to the curtailment of severance for unionized employees and the settlement of the pay equity claim, as mentioned above, and a shift in the timing of retrofit initiatives in OSFI's Ottawa and Toronto offices that carried forward from previous years.

Alignment of Spending With the Whole-of-Government Framework

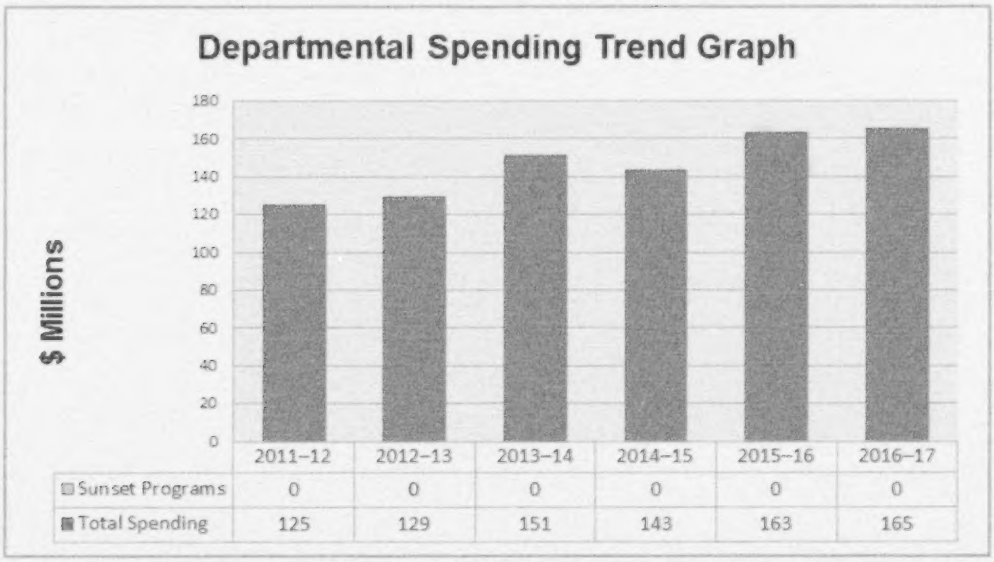
Alignment of 2013–14 Actual Spending With the Whole-of-Government Framework[ii] (dollars)

Strategic Outcome	Program	Spending Area	Government of Canada Outcome	2013–14 Actual Spending
1. A safe and sound Canadian financial system.	1.1 Regulation and Supervision of Federally Regulated Financial Institutions	Economic Affairs	Strong economic growth	75,599,505
	1.2 Regulation and Supervision of Federally Regulated Private Pension Plans	Economic Affairs	Income security and employment for Canadians	4,342,314
2. A financially sound and sustainable Canadian public retirement income system.	2.1 Actuarial Valuation and Advisory Services	Economic Affairs	Income security and employment for Canadians	5,209,861

Total Spending by Spending Area (dollars)

Spending Area	Total Planned Spending	Total Actual Spending
Economic Affairs	83,750,498	85,151,680
Social Affairs	0	0
International Affairs	0	0
Government Affairs	0	0

Departmental Spending Trend



The 2012-13 fiscal year saw a growth in expenditures of 3.1%. This was primarily driven by an increase in personnel costs, which typically account for approximately 75% of OSFI's spending. Effective July 2012, OSFI's mandate expanded to include the review and assessment of the safety and soundness of CMHC's commercial activities, largely their mortgage insurance and securitization programs, resulting in an increase in resources.

OSFI's 2013-14 expenditures increased by an additional 17.2%, primarily due to the curtailment of severance for unionized employees, the full-year impact of employees hired during 2012-13, normal inflation and merit adjustments, investments in OSFI's ITR initiative, and the settlement of a pay equity claim dating from 1987 to 1997 that was previously provisioned for but paid out in 2013-14.

As OSFI's 5-year ITR initiative is to be completed in 2014-15, expenditures are expected to decrease by 5.3% in that year. They are planned to increase by 14.4% in 2015-16 and 2016-17 as leasehold improvements will be required for the planned relocation of OSFI's Toronto and Ottawa offices, when the leases expire. During the planning years, OSFI's staff complement is expected to remain relatively stable and a priority will continue to be placed on responding to risks emanating from the economy, with a focus on the impact of low interest rates, rising household indebtedness and ongoing challenges in major foreign economies on FRFIs, pension plans and CMHC.

Estimates by Vote

For information on OSFI's organizational Votes and statutory expenditures, consult the *Public Accounts of Canada 2014* on the Public Works and Government Services Canada website.[iii]

Section II: Analysis of Programs by Strategic Outcome

Strategic Outcome 1: A safe and sound Canadian financial system

In 2013-14, OSFI continued to contribute to *a safe and sound Canadian financial system* by maintaining robust regulatory and supervisory frameworks and diligently applying them to the institutions and pension plans it oversees. The effectiveness of services provided is attested by the performance results attained.

Program 1.1: Regulation and Supervision of Federally Regulated Financial Institutions

This program involves regulating and supervising federally regulated financial institutions (FRFIs) to determine whether they are in sound financial condition and are complying with their governing statute law and supervisory requirements; monitoring the financial and economic environment to identify issues that may impact these institutions negatively; and intervening in a timely manner to protect depositors and policyholders from undue loss, while recognizing that management and boards of directors are ultimately responsible, and that financial institutions can fail.

Costs for this program are recovered through base assessments and user fees and charges paid by the federally regulated financial institutions covered under the *Bank Act*, *Trust and Loan Companies Act*, *Insurance Companies Act* and *Cooperative Credit Associations Act*. The Office of the Superintendent of Financial Institutions also receives revenues for cost-recovered services to provinces, for which it provides supervision of their institutions on a fee for service basis.

Budgetary Financial Resources (dollars)

2013–14 Main Estimates	2013–14 Planned Spending	2013–14 Total Authorities Available for Use	2013–14 Actual Spending (authorities used)	2013–14 Difference (actual minus planned)
73,994,821	73,994,821	73,994,821	75,599,505	1,604,684

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
400	416	16

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Protect depositors and policy holders while recognizing that all failures cannot be prevented.	Percentage of estimated recoveries on failed institutions (amount recovered per dollar of claim). *Source: Canada Deposit Insurance Corporation*	90%	100%[3]

Program Performance Analysis and Lessons learned

During 2013-14, domestic household indebtedness, interest rate levels, and ongoing global financial uncertainty continued to be seen as sources of potential systemic vulnerability. OSFI took action to address the possible impact of these challenges and achieve its strategic priorities by communicating its expectations for risk management to FRFIs and conducting significant reviews in several areas, including stress testing, cyber security and information technology operational risk, retail credit cards, catastrophic risks, and corporate governance and risk appetite frameworks. OSFI also continued to administer and advance its regulatory and supervisory frameworks and initiated a review of supervisory processes and tools.

In 2013-14, the Regulation and Supervision of Federally Regulated Financial Institutions program and its sub-programs met all performance targets. This, in combination with strong industry opinions that OSFI is effective in monitoring and supervising FRFIs, shows progress toward the *Strategic Outcome 1: A safe and sound Canadian financial system*.

[3] This measure is a proxy for whether OSFI intervened early enough to prevent undue loss to depositors and/or policyholders. Estimated recovery is the amount on the dollar per claim each policyholder or depositor would receive upon the completion of the liquidation. Expectation ≥ $0.90. The measure is provided annually, based on the updates on the estimated recoveries received from the agent or liquidator. Liquidation may span several years (e.g. life insurance) and affect a number of annual updates to the estimated recovery. As such, an annual update is made to the actual result for this indicator, regardless of whether any FRFI's failed that year or not.

Sub-Program 1.1.1: Risk Assessment and Intervention

This program involves the administration and application of an effective supervisory process to assess the safety and soundness of regulated financial institutions by evaluating an institution's risk profile, financial condition, risk management processes, and compliance with applicable laws and regulations. This program includes activities to monitor and supervise financial institutions; monitor the financial and economic environment to identify emerging issues; and intervene on a timely basis when a financial institution's business practices may be imprudent or unsafe, by exercising supervisory powers to take, or require management or boards to take, necessary corrective measures as rapidly as possible to protect depositors and policy holders, while recognizing that all failures cannot be prevented.

Budgetary Financial Resources (dollars)

2013–14 Planned Spending	2013–14 Actual Spending	2013–14 Difference (actual minus planned)
52,237,705	53,878,580	1,640,875

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
285	301	16

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Provide accurate Risk Assessments for institutions which align with their Composite Risk Rating (CRR).	Percentage of knowledgeable observers[4] that agree that their institution's Composite Risk Rating is appropriate. *Source: Financial Institution Survey (FIS) 2012*	70%	N/A[5]

Performance Analysis and Lessons Learned

The Composite Risk Rating (CRR) represents OSFI's overall assessment of an institution's safety and soundness. Beginning in 2013-14, a Branch Risk Rating was assigned to Foreign Bank Branches (FBBs) operating in Canada, rather than a CRR, reflecting OSFI's limited access to the information needed to assess the FBB's safety and soundness. There are four possible risk

[4] Senior Executives and professionals who act on behalf of federally regulated financial institutions.

[5] During 2013-14, OSFI updated its Performance Measurement Framework, which no longer includes this specific indicator. OSFI's 2014-15 RPP includes new performance indicators in lieu of the CRR: 1- Percentage of supervisory rating increases that are two or more levels within any rolling three month period; and, 2- Percentage of supervisory letters that are issued within established standards).

ratings: 'low', 'moderate', 'above average' and 'high'. As at the end of March 2014, OSFI had assigned CRR ratings of low or moderate to 91% and above average or high to 9% of all CRR-rated institutions. In comparison, as at March 31, 2013, 89% of all rated institutions were assessed as low or moderate CRR, and 11% were assessed above average or high CRR.

Financial institutions are also assigned an intervention (stage) rating which determines the degree of supervisory attention they receive. Broadly, these ratings are categorized as: normal (stage 0); early warning (stage 1); risk to financial viability or solvency (stage 2); future financial viability in serious doubt (stage 3); and non-viable/insolvency imminent (stage 4). As at March 31, 2014, there were 35 staged institutions. With a few exceptions, most of the staged institutions were in the early warning (stage 1) category.

In 2013-14, OSFI participated in the IMF's FSAP review, which concluded that OSFI continues to be effective with a high level of compliance with international standards. OSFI will be considering the recommendations made in the FSAP report and how they may be addressed moving forward. In addition, OSFI took part in ongoing peer reviews by the FSB and the BCBS, as these are important barometers of how the organization is performing.

Based on the increased expectations for domestic systemically important banks (DSIBs), OSFI implemented organizational changes in the Supervision Sector to provide more focus on teams responsible for managing DSIBs.

OSFI continued updating internal guidance to support its risk-based Supervisory Framework, which considers an institution's inherent business risks, risk management practices (including corporate governance) and financial condition.

OSFI also embarked on an initial discovery phase to find opportunities for efficiencies in its processes. A review of systems and tools to support OSFI's supervisory processes is planned during 2014-15, with plans to implement in the succeeding year.

Sub-Program 1.1.2: Regulation and Guidance

This program involves advancing and administering a regulatory framework of rules and guidance that promotes the adoption by regulated financial institutions of sound risk management practices, policies and procedures designed to plan, direct and control the impact on the institution of risks arising from its operations. This program encompasses the issuance of regulations and guidance, input into federal legislation and regulations affecting financial institutions; contributions to accounting, auditing and actuarial standards; and involvement in a number of international regulatory activities.

Budgetary Financial Resources (dollars)

2013–14 Planned Spending	2013–14 Actual Spending	2013–14 Difference (actual minus planned)
14,953,691	16,215,776	1,262,085

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
85	87	2

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Regulations, guidance and other rules that balance prudential considerations and the need to compete.	Percentage of knowledgeable observers[6] that rate OSFI as being good or very good at developing regulations, guidelines and other rules that strike an appropriate balance between prudential considerations and the need for institutions to compete. *Source: Financial Institution Survey (FIS) 2012*	50%	53%

Performance Analysis and Lessons Learned

OSFI provides a regulatory framework of guidance and rules that meets or exceeds international minimums for financial institutions. In addition to issuing guidance, OSFI provides input into the development of federal legislation and regulations affecting FRFIs and comments on accounting, auditing and actuarial standards development, which includes determining how to incorporate them into our regulatory framework. OSFI also participates in a number of international and domestic rule-making activities.

[6] Senior Executives and professionals who act on behalf of federally regulated financial institutions.

During 2013-14, OSFI continued its consultations related to the eventual revision of the *Assessment of Financial Institutions Regulations* (2001). The regulations are being revised to ensure that assessments better reflect actual time and resources devoted to financial institutions.

In the area of regulatory guidance, OSFI issued a number of key documents, including:

- the Liquidity Adequacy Requirements draft guideline;
- the draft revised MCT;
- the Own Risk and Solvency Assessment and Regulatory Capital and Internal Capital Targets guidelines;
- the Mortgage Insurance Underwriting Practices and Procedures draft guideline; and
- an updated version of the Life Insurance Regulatory Framework.

OSFI continued to work with the Department of Finance, Canada Deposit Insurance Corporation and the Bank of Canada related to issues of recovery and resolution and systemic financial risks. These measures are being taken to increase the safety and soundness of the financial system, but also to ensure that timely and decisive measures can be taken should the need arise.

Through membership on the Accounting and Auditing Issues Subcommittee, OSFI continued to monitor key developments and contribute to international policy work on issues of main concern to OSFI such as the International Accounting Standards Board's key insurance project.

In 2013-14, OSFI also devoted significant time and resources to participating in the IMF's FSAP, which resulted in Canada receiving generally high marks for its financial regulatory system.

Sub-Program 1.1.3: Approvals and Precedents

Federally regulated financial institutions are required to seek regulatory approval for certain types of transactions. This program: evaluates and processes applications for regulatory consent; establishes positions on the interpretation and application of the federal financial institutions legislation, regulations and guidance; identifies precedential transactions that may raise policy or precedent-setting issues and develops recommendations that recognize the need to allow institutions to compete effectively while undertaking reasonable risks that do not unduly impact the Office of the Superintendent of Financial Institution's primary stakeholders, the policyholders and depositors of FRFIs.

Budgetary Financial Resources (dollars)

2013–14 Planned Spending	2013–14 Actual Spending	2013–14 Difference (actual minus planned)
6,803,425	5,505,149	(1,298,276)

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
30	28	(2)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Provide prudentially sound decisions on Regulatory Approvals.	Percentage of knowledgeable observers[7] that understand somewhat or very well the basis upon which OSFI makes its decisions as part of the approval process. *Source: Financial Institution Survey (FIS) 2012*	85%	87%

Performance Analysis and Lessons Learned

OSFI administers a regulatory approval process that is prudentially effective and transparent.

The soundness of the process is supported by performance results showing that a vast majority of knowledgeable observers understand the basis upon which OSFI makes its decisions. OSFI also has performance standards establishing timeframes for processing applications for regulatory approval and for other services, all of which were surpassed during 2013-14. More information on service performance standards can be found on OSFI's website.

[7] Senior Executives and professionals who act on behalf of federally regulated financial institutions.

In 2013-14, OSFI processed 199 applications of which 183 were approved. These involved a total of 406 approvals[8], 290 of which were granted by the Superintendent and 116 by the Minister. This represents a decrease in completed applications over the previous year, when 214 applications involving 462 approvals were processed. Most applications for 2013-14 related to banks (40%) and property and casualty insurers (38%).

In keeping with the objective of enhancing the transparency of OSFI's legislative approval process and promoting a better understanding of our interpretation of the federal financial institution statutes, OSFI develops and publishes legislative guidance including advisories, rulings, and transaction instructions. In 2013-14, OSFI published revised versions of the following transaction instructions:

- Reinsurance with an Unregistered Related Reinsurer;
- Guide for Incorporating Banks and Federally Regulated Trust and Loan Companies;
- Guide for Incorporating Federally Regulated Insurance Companies;
- Establishment of an Insurance Branch;
- Acquisition of Control of, or a Significant Interest in, a FRFI ;
- Substantial Investments Requiring Superintendent Approval - Permitted Entities;
- Substantial Investments Requiring Ministerial Approval - Permitted Entities; and
- Asset Transactions Greater than 10% of Assets.

[8] Individual applications often contain multiple approval requests.

Program 1.2: Regulation and Supervision of Federally Regulated Private Pension Plans

This program involves regulating and supervising federally regulated private pension plans to determine whether they are meeting minimum plan funding requirements and are complying with their governing law and supervisory requirements. This program provides risk assessments of pension plans covering employees in federally regulated areas of employment; timely and effective intervention and feedback to protect the financial interests of plan members and beneficiaries from undue loss, while recognizing that plan administrators are ultimately responsible, and that plans can fail; a balanced relevant regulatory framework; and a prudentially effective and responsive approvals process. This program incorporates risk assessment and intervention, regulation and guidance, and approvals and precedents related to federally regulated private pension plans under the *Pension Benefits Standards Act*, 1985. The costs for this program are recovered from pension plan fees based on the number of members in each federally regulated pension plan.

Budgetary Financial Resources (dollars)

2013–14 Main Estimates	2013–14 Planned Spending	2013–14 Total Authorities Available for Use	2013–14 Actual Spending (authorities used)	2013–14 Difference (actual minus planned)
4,552,176	4,552,176	4,552,176	4,342,314	(209,862)

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
27	28	1

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Protect the financial interests of federally regulated private pension plan members and beneficiaries.	Percentage of estimated recoveries on pension plans that have terminated under-funded. *Source: Internal data*	85%	Eight pension plans terminated underfunded in 2013-14. The estimated recovery ratio is 74%.

Performance Analysis and Lessons Learned

During 2013-14, OSFI performed 15 on-site examinations of pension plans, focussing on plan governance, asset management, and communications to members. OSFI also intervened with respect to high-risk pension plans.

Notwithstanding these efforts, the percentage of estimated recoveries on pension plans that terminated underfunded is below target for 2013-14. This was caused by the inability of two employers to fund deficiencies due to their insolvency, thereby impacting three pension plans.

In addition to conducting examinations and interventions, OSFI engaged in a suite of activities aimed at supporting and strengthening the performance of the Regulation and Supervision of Federally Regulated Private Pension Plans program. They include:

- Developing and implementing internal processes for the review of Pooled Registered Pension Plan (PRPP) licence and registration applications, and the licensing of five PRPP administrators.
- Issuing a Draft Policy Advisory on Longevity Swaps and Longevity Insurance for comment.
- The implementation of changes to OSFI's semi-annual "InfoPensions" newsletter in 2013-14 to enhance communications with stakeholders regarding OSFI's expectations and other matters affecting federally registered pension plans.
- Processing applications. During 2013-14, the number of transactions submitted to the Superintendent for approval increased considerably, due largely to an increase in the number of amendments to reduce accrued benefits. OSFI processed 104 applications for approval and received 89 new requests.
- Providing technical assistance to the Department of Finance on proposed changes to pension regulations to implement reforms previously announced by the government. As revised regulations were not published by the government in 2013-14, this work has been carried over into 2014-15.
- Completing the transfer of 170 First Nations plans to the appropriate provincial regulator in response to a Supreme Court of Canada decision having implications on the jurisdiction over First Nations pensions plans.

Strategic Outcome 2: A financially sound and sustainable Canadian public retirement income system

In 2013-14, OSFI continued to contribute to maintaining a *financially sound and sustainable Canadian public retirement income system* through the provision of high quality expert actuarial valuation and advice to the Government of Canada and to provincial governments that are Canada Pension Plan (CPP) stakeholders. The soundness of services provided is attested by the performance results attained.

Program 2.1: Actuarial Valuation and Advisory Services

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs have made commitments to Canadians and have taken on emanated responsibility for the financing of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these and the inherent risks. This program plays a vital and independent role in this process. It provides checks and balances on the future costs of the different pension plans under its responsibilities.

This program provides a range of actuarial services, under legislation, to the CPP and some federal government departments. It conducts statutory actuarial valuations of the CPP, Old Age Security (OAS) and Canada Student Loans programs, and pension and benefits plans covering the Federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police (RCMP), federally appointed judges, and Members of Parliament.

The Office of the Chief Actuary (OCA) is funded by fees charged for its actuarial valuation and advisory services and by an annual parliamentary appropriation.

Budgetary Financial Resources (dollars)

2013–14 Main Estimates	2013–14 Planned Spending	2013–14 Total Authorities Available for Use	2013–14 Actual Spending (authorities used)	2013–14 Difference (actual minus planned)
5,203,501	5,203,501	5,239,190	5,209,861	6,360

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
34	32	(2)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Stewards of Canada's public retirement income system are provided with independent, accurate, high quality and timely professional actuarial services and advice.	Adequacy of professional experience of the Chief Actuary and staff. AND Compliance with Canadian and international professional standards. *Source for both:* Review of the Twenty-Sixth Actuarial Report on the Canada Pension Plan, dated March 7, 2014[iv]	Unanimous agreement amongst peers[9].	The external peer review panel's findings published in May 2014[10] show that the 26th Actuarial Report on the Canada Pension Plan complies with all relevant professional standards of practice and statutory requirements, and that the professional experience of the Chief Actuary and his staff who worked on this report meets the high standard required for this work.

Performance Analysis and Lessons Learned

In 2013-14, the OCA continued to provide independent, accurate, high quality and timely actuarial reports, professional actuarial services and advice. This claim is supported by a third party assessment of the OCA's expertise and its compliance with professional standards.

With the view of maintaining high quality in services, and as recommended by the CPP independent peer review panel, the OCA continued to maintain its programs of research on subjects relevant to the preparation of future actuarial reports.

Demographic changes such as increasing longevity, as well as uncertain future economic conditions, affect the sustainability of pension systems around the world. Throughout the year, the Chief Actuary and his staff delivered presentations addressing these topics to a range of audiences, including the British Columbia Public Pension Conference, the Society of Actuaries Living to 100 International Symposium, the Board of Directors of the Canada Pension Plan Investment Board, and the International Social Security Association World Social Security Forum.

[9] Independently selected panel of peers / actuaries.
[10] Next Independent Peer Review to occur in 2017.

Sub-Program 2.1.1: Services to the Canada Pension Plan and Old Age Security Program

This program involves the conduct of statutory actuarial valuations of the Canada Pension Plan (CPP) and Old Age Security (OAS) Program. These valuations estimate the financial status of these plans and programs as required by legislation. This program estimates long-term expenditures, revenues and current liabilities of the Canada Pension Plan and estimates long-term future expenditures for Old Age Security programs. Pursuant to the Canada Pension Plan and the *Public Pensions Reporting Act*, the Office of the Chief Actuary prepares statutory triennial actuarial reports on the financial status of these programs, as required by legislation.

Budgetary Financial Resources (dollars)

2013–14 Planned Spending	2013–14 Actual Spending	2013–14 Difference (actual minus planned)
1,877,442	1,677,358	(200,084)

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
11	11	0

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Accurate and high quality actuarial valuations inform Canada Pension Plan and Old Age Security stakeholders and Canadians of the current and projected financial status of the Plan and Program.	Peer review attests that actuarial valuations are comprehensive (i.e. examination of actuarial valuation methods, assumptions and analysis). AND	Unanimous agreement amongst peers[11]	The external peer review panel's findings published in May 2014[12] show there is unanimous agreement that the Chief Actuary and staff have adequate professional experience, complete work in compliance with professional standards and statutory requirements, access adequate information and complete relevant data tests and analysis, use reasonable methods and assumptions in completing actuarial reports and that the 26th Actuarial Report on the CPP fairly communicates the results of the work performed by the Chief Actuary and his staff.

[11] Independently selected panel of peers / actuaries.
[12] Next Independent Peer Review to occur in 2017.

	Percentage of the recommendations within the scope and influence of the OCA that are implemented before the next peer review. *Source for both*: Review of the Twenty-Sixth Actuarial Report on the Canada Pension Plan, dated March 7, 2014[v]	80%	The OCA has implemented over 80% of the recommendations of the external peer review panel of the 25th CPP Actuarial Report. The OCA is working on implementing the recommendations of the external peer review panel of the 26th CPP Actuarial Report (next peer review to take place in 2017).

Performance Analysis and Lessons Learned

In 2013-14, the OCA continued to provide high quality service under its CPP and OAS Program, as demonstrated by performance results.

Tabling of the 26th Actuarial Report on the Canada Pension Plan

The OCA is required by law to produce an actuarial report on the CPP every three years. The 26th Actuarial Report on the CPP as at December 31, 2012 was tabled before Parliament on December 3, 2013. This triennial report projects CPP revenues and expenditures over a 75-year period in order to assess the future impact of historical and projected demographic and economic trends.

The report finds that under the 9.9% legislated contribution rate, assets are projected to increase significantly over the next decade as contribution revenue is expected to exceed expenditures over that period. Assets will continue to grow thereafter until the end of the projection period, but at a slower pace, reaching a level of six years of annual Plan expenditures by 2050. Thus, despite the projected substantial increase in benefits paid as a result of an aging population, the CPP is expected to be able to meet its obligations throughout the projection period and remain financially sustainable over the long term.

External Peer Review of the 26th CPP Actuarial Report

The OCA commissioned an external peer review of the 26th CPP Actuarial Report. First introduced in 1999, external peer review of OCA actuarial reports on the CPP by an independent panel of reviewers is intended to ensure that the actuarial reports meet high professional standards and are based on reasonable assumptions in order to provide sound actuarial advice to Canadians.

The independent panel's findings confirm that the work performed by the OCA on the 26th CPP Actuarial Report meets all professional standards of practice and statutory requirements, and that the assumptions and methods used are reasonable. The panel also stated that the report fairly communicates the results of the work performed by the Chief Actuary and his staff.

Sub-Program 2.1.2: Services to Public Sector Pension and Insurance Programs

This program involves the conduct of statutory actuarial valuations of various federal public sector employee pension and insurance plans. These valuations estimate the financial status of these plans as required by legislation. Pursuant to the *Public Pensions Reporting Act*, this program involves preparing statutory triennial actuarial reports on the financial status of federal public sector employee pension and insurance plans covering the federal Public Service, the Canadian Forces, the Royal Canadian Mounted Police, the federally appointed judges and Members of Parliament. This program supports plan members, thereby serving the public interest, by ensuring good governance of the plan, appropriate disclosure in the actuarial reports and contributing to the overall accountability of the plan sponsor to members. This program also involves the provision of sound actuarial advice that assists different government departments in the design, funding and administration of these plans. As part of this program, the Chief Actuary submits the actuarial reports to the President of Treasury Board.

Budgetary Financial Resources (dollars)

2013–14 Planned Spending	2013–14 Actual Spending	2013–14 Difference (actual minus planned)
2,550,223	2,795,821	245,598

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
17	16	(1)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Accurate and high quality actuarial valuations of Public Pension and Insurance Plans are provided to departments to inform design, funding and administration of the plans.	Peer review attests that actuarial valuations are comprehensive (i.e. examination of actuarial valuation methods, assumptions and analysis). AND Actuarial opinion is appropriate. *Source for both:* Office of the Auditor General Peer Review Report on Actuarial Reports prepared in connection with the Public Accounts of Canada as at March 31, 2013 (October 2013)	Unanimous agreement amongst peers[13]	Ernst & Young was retained by the Office of the Auditor General of Canada for purposes of the review of the Public Accounts of Canada as at March 31, 2013. The reviewers have reached a unanimous agreement on accuracy and quality of actuarial valuations of Public Sector Pension and Insurance Plans for Public Accounts purposes as at March 31, 2013.

[13] Independently selected panel of peers / actuaries.

Performance Analysis and Lessons Learned

In 2013-14, the OCA continued to provide high quality services under its Public Sector Pension and Insurance Programs Program, as demonstrated by performance results.

Public Sector Insurance and Pension Plans

In 2013-14, the OCA completed four actuarial reports with respect to the public sector insurance and pension plans. These reports were submitted to the President of the Treasury Board for tabling before Parliament. The Actuarial Report on the Pension Plan for the RCMP as at March 31, 2012 was tabled on October 16, 2013, the Actuarial Report on the Benefit Plan financed through the RCMP (dependents) Pension Fund as at March 31, 2013 was tabled on January 22, 2014, and the Actuarial Report on the Pension Plan for the Federally Appointed Judges as at March 31, 2013 was tabled on March 27, 2014. These reports provide actuarial information to decision makers, Parliamentarians and the public, thereby increasing transparency and confidence in Canada's retirement income system.

The *Pension Reform Act* amended the *Members of Parliament Retiring Allowances Act* so that, by no later than January 1, 2017, the total amount of contributions to be paid by members will represent 50% of the current service cost. In addition, for service after January 1, 2016, the age at which a pension may be paid without a reduction is raised from age 55 to age 65. This Act received Royal Assent on November 1, 2012. To reflect the amendments brought forward by the *Pension Reform Act,* the OCA prepared an actuarial report updating the Actuarial Report on the Pension Plan for Members of Parliament[vi]. The report was tabled before Parliament on May 31, 2013.

Comments and recommendations identified in the October 2013 Ernst & Young Report regarding the actuarial reports review for Public Accounts purposes will be reflected – within the scope and influence of the OCA – in future valuation reports.

Sub-Program 2.1.3: Services to the Canada Student Loans Program

Pursuant to the *Student Financial Assistance Act*, as amended by the *Budget Implementation Act*, 2009, this program involves the conduct of statutory actuarial valuations of the Canada Student Loans Program (CSLP). The program also involves the preparation of a statutory actuarial report of the CSLP by evaluating the portfolio of loans and the long-term costs of the program. As part of this program, the Chief Actuary submits the actuarial report to the minister of Human Resources and Skills Development.

Budgetary Financial Resources (dollars)

2013–14 Planned Spending	2013–14 Actual Spending	2013–14 Difference (actual minus planned)
775,836	736,682	(39,154)

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
6	5	(1)

Performance Results

Expected Results	Performance Indicators	Targets	Actual Results
Accurate and high quality actuarial valuations inform CSLP stakeholders and Canadians of the future costs and provision rates of the program.	The Office of the Auditor General (OAG) performs an audit of the CSLP and uses work from OSFI's actuarial valuation of the CSLP as audit evidence to support the OAG's independent auditor report for the Public Accounts of Canada. *Source:* Letter from the OAG, dated May 9, 2013	Confirmation from the OAG.	In 2013-14, the OAG used the *Actuarial Report on the Canada Student Loans Program as at 31 July 2012* prepared by the OCA as audit evidence.

Performance Analysis and Lessons Learned

In 2013-14, the OCA continued to provide high quality service under its Canada Student Loans Program, as demonstrated by performance results.

Canada Student Loans Program Actuarial Report

The *Actuarial Report on the Canada Student Loans Program* as at July 31, 2012, was provided to the CSLP in June of 2013 to support Employment and Social Development Canada's accounting requirements as well as partners' needs, including the Office of the Auditor General, Treasury Board Secretariat, Department of Finance, and the Office of the Receiver General. The

report includes a forecast of the costs and revenues of the Program for 25 years, which is through loan year 2036-37.

The next actuarial report will be prepared as at July 31, 2013 and sent to the CSLP in June 2014.

Actuarial Report on the Employment Insurance Premium Rate[14]

In 2013-14, the OCA presented to the Canada Employment Insurance Commission the 2014 Actuarial Report on the Employment Insurance Premium Rate[vii] that was tabled before Parliament on October 28, 2013. This report provides the forecast break-even premium rate for the upcoming year and a detailed analysis in support of this forecast.

[14] OSFI's PAA was updated in 2013 in order to reflect the addition of Employment Insurance work to this sub-program. The sub-program title and description change is reflected in the 2014-15 Report on Plans and Priorities.

Internal Services

Internal Services are groups of related activities and resources that are administered to support the needs of programs and other corporate obligations of an organization. These groups are: Management and Oversight Services; Communications Services; Legal Services; Human Resources Management Services; Financial Management Services; Information Management Services; Information Technology Services; Real Property Services; Materiel Services; Acquisition Services; and Other Administrative Services. Internal Services include only those activities and resources that apply across an organization and not to those provided specifically to a program.

Budgetary Financial Resources (dollars)

2013–14 Main Estimates	2013–14 Planned Spending	2013–14 Total Authorities Available for Use	2013–14 Actual Spending (authorities used)	2013–14 Difference (actual minus planned)
56,518,954	56,518,954	56,521,864	65,650,453	9,131,499

Human Resources (FTEs)

2013–14 Planned	2013–14 Actual	2013–14 Difference (actual minus planned)
179	190	11

Performance Analysis and Lessons Learned

During 2013-14, OSFI continued to enhance the effectiveness and efficiency of its Internal Services as evidenced by the following key achievements.

Enhancing Communications

During 2013-14, OSFI launched its redesigned website allowing for improved information search, navigation and accessibility. OSFI website subscribers were surveyed for their initial impressions of the new site, and feedback has been overwhelmingly positive. From the previous year, the number of visitors to the website increased by 8% and the number of page views increased by 135%.

Renewing Technology and Systems

2013-14 was the fourth year of OSFI's five-year Information Technology Renewal initiative. By the end of the fiscal year, a number of significant systems were renewed and are now in use. These include OSFI's new website, an integrated enterprise resource planning software solution for finance-related processes, as well as a new Regulatory Returns System and upgraded Business Intelligence toolset that improved OSFI's ability to analyze and report on regulatory filings from deposit-taking institutions.

Managing Human Resources (HR) Challenges

In 2013-14, ongoing risks posed by the current environment, both externally (in the economy and the financial sector) and internally, continued to have an impact on how work is performed at OSFI. As such, a number of priorities were identified through the HR planning process and the following actions were taken to address gaps:

- A new business model for the delivery of HR services, supported by an upgraded HR system, was implemented.
- HR policies and guidelines were updated or created to provide appropriate guidance to managers and employees and support a consistent application across the organization.
- Organization changes in the Supervision Sector were facilitated.
- Succession plans for critical positions were completed and actions to address gaps were taken.
- The bi-annual employee survey was conducted, in line with OSFI's focus on employee engagement.
- Learning and development opportunities for staff across the organization were provided based on individual and organizational needs.
- A case management approach for dealing with complex disability and sick leave cases on a timely basis was implemented.

Section III: Supplementary Information

Financial Statements Highlights

Over the course of 2013-14, OSFI continued to operate on a full accrual accounting basis, in accordance with International Financial Reporting Standards.

The tables below provide highlights from OSFI's *Statement of Financial Position* and *Statement of Operations*, as presented in its audited financial statements. As such, there are differences between these tables and those presented in other sections of the Departmental Performance Report, which are prepared on the appropriation (i.e. modified cash) basis of accounting, in accordance with the *Guide to the Preparation of Part III of the 2013-14 Estimates*. Typically the differences stem from the accounting treatment of capital expenditures and accounts receivable.

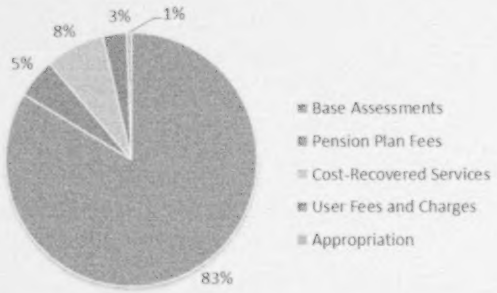
Office of the Superintendent of Financial Institutions
Condensed Statement of Operations and Departmental Net Financial Position
(unaudited)
For the Year Ended March 31, 2014
(dollars)

	2013–14 Planned Results	2013–14 Actual	2012–13 Actual	Difference (2013–14 actual minus 2013–14 planned)	Difference (2013–14 actual minus 2012–13 actual)
Total expenses	143,298,000	141,861,746	127,734,502	(1,436,254)	14,127,244
Total revenues	142,389,369	140,916,688	126,825,133	(1,472,681)	14,091,555
Net cost of operations before government funding and transfers	(909,369)	(945,058)	(909,369)	(35,689)	(35,689)
Departmental net financial position	24,988,000	24,988,000	24,988,000	0	0

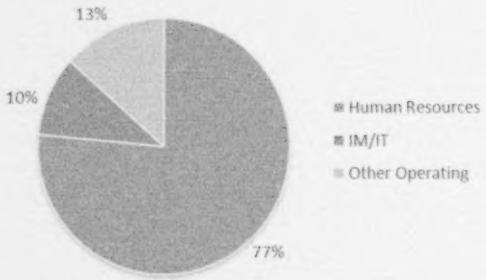
OSFI is funded mainly through asset-based, premium-based or membership-based assessments on the financial institutions and private pension plans that OSFI regulates and supervises, and a user-pay program for selected services. OSFI also receives revenues for cost-recovered services and a very small parliamentary appropriation for actuarial services relating to public sector employee pension and insurance plans. Overall, on an accrual basis, OSFI recovered all its expenses for the year.

Total expenses were $141.9 million, a $14.1 million, or 11.1%, increase from the previous year, and $1.0 million lower than planned. Human resources costs, the main driver of OSFI's expenses, rose by $11.1 million, or 11.4%. This was a result of an increase in personnel, including staffing vacant positions across all sectors, the full year impact of the previous year's incremental new hires, and planned growth in employee compensation in accordance with collective agreements.

Revenue by Type



Expenses by Type



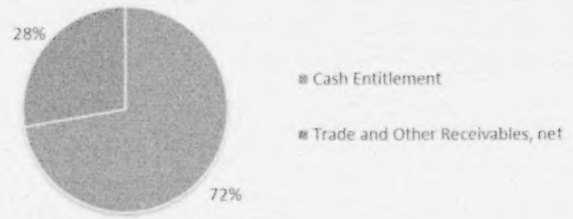
Office of the Superintendent of Financial Institutions
Condensed Statement of Financial Position (unaudited)
As at March 31, 2014
(dollars)

	2013–14	2012–13	Difference (2013–14 minus 2012–13)
Total net liabilities	38,933,000	46,218,000	(7,285,000)
Total net financial assets	42,596,000	54,974,000	(12,378,000)
Departmental net debt	3,663,000	8,756,000	(5,093,000)
Total non-financial assets	21,325,000	16,232,000	5,093,000
Departmental net financial position	24,988,000	24,988,000	0

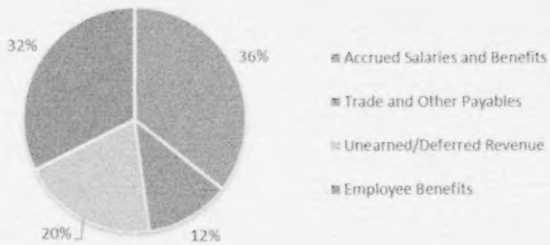
Total net financial assets at the end of 2013-14 were $42.6 million, a decrease of $12.4 million over the previous year's assets, mostly driven by a decrease in the Cash Entitlement account, which represents the amount OSFI is entitled to withdraw from the Consolidated Revenue Fund without further authority.

Total net liabilities were $38.9 million at the end of 2013-14, representing a $7.3 million decrease from the previous year. The decrease was primarily driven by a 24.6% decrease in the liability associated with employee future benefits due to the impact of the severance curtailment associated with employees under the Professional Institute of the Public Service of Canada (PIPSC) collective agreement.

Financial Assets by Type



Liabilities by Type



Financial Statements

OSFI's Audited Financial Statements, which are published in the Annual Report can be found on the OSFI website.[viii]

Supplementary Information Tables

The supplementary information tables listed in the 2013-14 Departmental Performance Report can be found on OSFI's website[IX].

- Green Procurement Targets;
- Internal Audits; and
- User Fees Reporting.

Tax Expenditures and Evaluations

The tax system can be used to achieve public policy objectives through the application of special measures such as low tax rates, exemptions, deductions, deferrals and credits. The Department of Finance Canada publishes cost estimates and projections for these measures annually in the *Tax Expenditures and Evaluations*[x] publication. The tax measures presented in the *Tax Expenditures and Evaluations* publication are the sole responsibility of the Minister of Finance.

Section IV: Organizational Contact Information

Website:
http://www.osfi-bsif.gc.ca

General enquiries:
Email: information@osfi-bsif.gc.ca
Phone: 1-800-385-8647 (Monday through Friday, between 8:30 a.m. and 6:00 p.m. (Eastern Time).

Head Office and mailing address:
255 Albert Street
Ottawa, Ontario
K1A 0H2
Canada

Appendix: Definitions

appropriation: Any authority of Parliament to pay money out of the Consolidated Revenue Fund.

budgetary expenditures: Include operating and capital expenditures; transfer payments to other levels of government, organizations or individuals; and payments to Crown corporations.

Departmental Performance Report: Reports on an appropriated organization's actual accomplishments against the plans, priorities and expected results set out in the corresponding Reports on Plans and Priorities. These reports are tabled in Parliament in the fall.

full-time equivalent: Is a measure of the extent to which an employee represents a full person-year charge against a departmental budget. Full-time equivalents are calculated as a ratio of assigned hours of work to scheduled hours of work. Scheduled hours of work are set out in collective agreements.

Government of Canada outcomes: A set of 16 high-level objectives defined for the government as a whole, grouped in four spending areas: economic affairs, social affairs, international affairs and government affairs.

Management, Resources and Results Structure: A comprehensive framework that consists of an organization's inventory of programs, resources, results, performance indicators and governance information. Programs and results are depicted in their hierarchical relationship to each other and to the Strategic Outcome(s) to which they contribute. The Management, Resources and Results Structure is developed from the Program Alignment Architecture.

non-budgetary expenditures: Include net outlays and receipts related to loans, investments and advances, which change the composition of the financial assets of the Government of Canada.

performance: What an organization did with its resources to achieve its results, how well those results compare to what the organization intended to achieve and how well lessons learned have been identified.

performance indicator: A qualitative or quantitative means of measuring an output or outcome, with the intention of gauging the performance of an organization, program, policy or initiative respecting expected results.

performance reporting: The process of communicating evidence-based performance information. Performance reporting supports decision making, accountability and transparency.

planned spending: For Reports on Plans and Priorities (RPPs) and Departmental Performance Reports (DPRs), planned spending refers to those amounts that receive Treasury Board approval by February 1. Therefore, planned spending may include amounts incremental to planned expenditures presented in the Main Estimates.

A department is expected to be aware of the authorities that it has sought and received. The determination of planned spending is a departmental responsibility, and departments must be able to defend the expenditure and accrual numbers presented in their RPPs and DPRs.

plans: The articulation of strategic choices, which provides information on how an organization intends to achieve its priorities and associated results. Generally a plan will explain the logic behind the strategies chosen and tend to focus on actions that lead up to the expected result.

priorities: Plans or projects that an organization has chosen to focus and report on during the planning period. Priorities represent the things that are most important or what must be done first to support the achievement of the desired Strategic Outcome(s).

program: A group of related resource inputs and activities that are managed to meet specific needs and to achieve intended results and that are treated as a budgetary unit.

results: An external consequence attributed, in part, to an organization, policy, program or initiative. Results are not within the control of a single organization, policy, program or initiative; instead they are within the area of the organization's influence.

Program Alignment Architecture: A structured inventory of an organization's programs depicting the hierarchical relationship between programs and the Strategic Outcome(s) to which they contribute.

Report on Plans and Priorities: Provides information on the plans and expected performance of appropriated organizations over a three-year period. These reports are tabled in Parliament each spring.

Strategic Outcome: A long-term and enduring benefit to Canadians that is linked to the organization's mandate, vision and core functions.

sunset program: A time-limited program that does not have an ongoing funding and policy authority. When the program is set to expire, a decision must be made whether to continue the program. In the case of a renewal, the decision specifies the scope, funding level and duration.

target: A measurable performance or success level that an organization, program or initiative plans to achieve within a specified time period. Targets can be either quantitative or qualitative.

whole-of-government framework: Maps the financial contributions of federal organizations receiving appropriations by aligning their Programs to a set of 16 government-wide, high-level outcome areas, grouped under four spending areas.

Endnotes

i Office of the Superintendent of Financial Institutions Act; http://laws-lois.justice.gc.ca/eng/acts/O-2.7/

ii Whole-of-government framework; http://www.tbs-sct.gc.ca/ppg-cpr/frame-cadre-eng.aspx

iii Public Accounts of Canada 2014; http://www.tpsgc-pwgsc.gc.ca/recgen/cpc-pac/index-eng.html

iv Twenty-Sixth Actuarial Report on the Canada Pension Plan; http://www.osfi-bsif.gc.ca/Eng/oca-bac/ipr-rip/Pages/ar26.aspx

v Twenty-Sixth Actuarial Report on the Canada Pension Plan; http://www.osfi-bsif.gc.ca/Eng/oca-bac/ipr-rip/Pages/ar26.aspx

vi Actuarial Report on the Pension Plan for Members of Parliament; http://www.osfi-bsif.gc.ca/Eng/oca-bac/ar-ra/mp-plm/Pages/mp10upd.aspx

vii 2014 Actuarial Report on the Employment Insurance Premium Rate; http://www.osfi-bsif.gc.ca/Eng/oca-bac/ar-ra/ei-ae/Pages/EI2014.aspx

viii OSFI's Annual Reports; http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/ar-ra/Pages/default.aspx

ix Supplementary Tables; http://www.osfi-bsif.gc.ca/Eng/osfi-bsif/rep-rap/dpr-rmr/1314/Pages/default.aspx

x Tax Expenditures and Evaluations publication, http://www.fin.gc.ca/purl/taxexp-eng.asp